107TH CONGRESS } HOUSE OF REPRESENTATIVES { REPT. 107–191
1st Session } { Part 2

# FARM SECURITY ACT OF 2001

AUGUST 31, 2001.—Ordered to be printed

Mr. COMBEST, from the Committee on Agriculture, submitted the following

# SUPPLEMENTAL REPORT

[To accompany H.R. 2646]

[Including cost estimate of the Congressional Budget Office]

This supplemental report includes additional committee positions and the Congressional Budget Office cost estimate and shows the changes in existing law made by the bill (H.R. 2646), as reported, which was omitted in part 1 of the report submitted on August 2, 2001 (H. Rept. 107–191, pt. 1).

This supplemental report is submitted in accordance with clause 3(a)(2) of Rule XIII of the Rules of the House of Representatives.

## ADDITIONAL COMMITTEE POSITION

Several of the statutory changes made by title II of H.R. 2646 are merely clarifying or simplifying the programs authorized under title XII of the Food Security Act of 1985. These statutory changes do not require—and the Committee does not expect—any changes in program administration. In order to ensure that the Committee's expectation with regard to these provisions is clearly understood, the following additional committee views are included with regard to Title II of HR 2646.

*Sec. 221. Elimination of General Provisions*

This provision eliminates the Environmental Conservation Acreage Reserve Program ("ECARP") because it is redundant, unnecessary, and USDA has not used its priority areas authority in program implementation. USDA has instead relied upon specific priority area authority under the separate Title XII programs. Understanding that this deletion will remove the ECARP reference to the phrase "soil, water and related natural resources," the Committee notes that related resources, such as wildlife habitat, are adequately addressed and included in the specific programs authorized by Title XII.

*Sec. 232. Enrollment*

In eliminating the priority area authority in section 1231(f), the Committee does not intend for the Secretary to administer the CRP without any priorities. Rather, in directing the Secretary to develop regulations to implement section 1231(i), the Committee intends that the Secretary shall develop a means by which some priority shall be given to applications proposing to address particularly important environmental issues. In so doing, it is the intent of the Committee that the Secretary, in consultation with other appropriate interested parties, shall focus on priority issues rather than specific geographic areas.

In including the provision regarding the eligibility of expiring CRP contracts, it is the Committee's intent that expiring CRP acreage be eligible to re-enroll, not that it automatically be re-enrolled. Acreage with expiring contracts would still have to compete during general sign-ups with all other acreage being offered or meet the other eligibility requirements for enrollment in the continuous sign-up.

*Sec. 233. Duties of Owners and Operators*

With respect to managed grazing, limited haying and the installation of wind turbines, the Committee expects that any such permitted activity will be done in a manner which is consistent with the overall goals of the Conservation Reserve Program.

*Sec. 242. Easements and Agreements*

USDA currently enrolls acres in the Wetlands Reserve Program either through easements (permanent or otherwise) or cost-share restoration. The Committee expects USDA to continue to enroll acres in these manners as appropriate, and is merely simplifying those statutory provisions in section 1237 to remove the reference to enrollment percentages, which are no longer relevant.

Similarly, the change made to section 1237A is also simplifying the statute by removing redundant references to mowing and spraying, which are already habitat alterations under section 1237A(b)(2). The Committee notes that the statute, as rewritten, prohibits habitat alternation unless contained in the management plan, and the committee expects this to include mowing, grazing, and spraying of chemicals.

Even though the Committee is deleting the mandatory requirement for the Secretary to consult with the State Technical Committee in developing a wetland restoration plan, the Committee notes that the Secretary maintains the discretionary authority to do so, and expects the Secretary to consult with the State Technical Committee when appropriate.

*Sec. 243. Duties of the Secretary*

Similarly, even though the Committee is deleting the mandatory requirement to consult with the Secretary of the Interior in awarding easements, the Committee notes that Secretary continues to have the discretionary authority to do so, and expects the Secretary to consult the Secretary of Interior when appropriate for assistance in determining the value of an agreement for protecting and enhancing habitat for migratory birds and other wildlife.

*Sec. 252. Definitions*

The Committee notes that while wildlife habitat is not included in the definition of a structural practice, it is the intent of this Committee that the Secretary shall award, whenever possible, EQIP contracts in which incidental benefits to wildlife are also produced.

*Sec. 255. Duties of the Producer*

This section deletes section 1240D(2) as unnecessary. The Committee is unaware of this circular provision being used by USDA as authority in program administration, and notes that the provision adds nothing to the authority of the Secretary in administering EQIP. The Committee does not intend the deletion of this provision to impact in any way the Secretary's authority to include appropriate terms and conditions in agreements entered into with producers under EQIP.

*Sec. 274. Grassland Reserve Program*

The Committee notes that the Secretary has the discretionary authority to consult with state fish and wildlife agencies in appropriate circumstances to assist in determining the end of the nesting and brood rearing season for birds in the local area, and expects the Secretary to do so.

The Committee also intends that necessary surface disturbances required by a management plan on a restored site are implicitly excepted from the general prohibition on activities which would disturb the surface of the land, owing to the fact that the restored site has already been disturbed.

*Sec. 275. Farmland Stewardship Program*

The Committee notes that the Secretary will continue to have the discretionary authority to consult with State Technical Committees, when appropriate, in determining whether a particular provision of a conservation program may be waived.

## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

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CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, DC 20515

Dan L. Crippen
Director

August 23, 2001

Honorable Larry Combest
Chairman
Committee on Agriculture
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2646, the Farm Security Act of 2001.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Jim Langley, who can be reached at 226-2860.

Sincerely,

Dan L. Crippen

Enclosure

cc: Honorable Charles W. Stenholm
Ranking Minority Member

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CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 23, 2001

# H.R. 2646
## Farm Security Act of 2001

*As reported by the House Committee on Agriculture on August 2, 2001*

## SUMMARY

H.R. 2646 would amend and extend through 2011 the major farm income support, land conservation, credit assistance, food assistance, trade promotion, marketing assistance, and rural development programs administered by the U.S. Department of Agriculture (USDA). CBO estimates that enactment of this legislation would increase direct spending by $1.9 billion in 2002, $33.4 billion over the 2002-2006 period, and $69.5 billion over the 2002-2011 period. Additional outlays occurring after 2011 would bring the total of new direct spending from the legislation to $73.1 billion. When combined with estimated spending under current law, enactment of H.R. 2646 would bring total spending to $35.1 billion in 2002, $203.1 billion over the 2002-2006 period, and $409.7 billion over the 2002-2011 period. Because enactment of the bill would affect direct spending, pay-as-you-go procedures would apply.

The bill also would authorize discretionary appropriations for existing and new programs for research and education, nutrition, trade promotion, rural development, credit assistance, and forestry initiatives. Assuming appropriation of the necessary amounts, CBO estimates that implementing those provisions affecting discretionary spending would cost about $14.6 billion over the 2002-2006 period, and $37.4 billion over the next 10 years.

The bill contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). State, local, and tribal governments would probably receive some of the assistance authorized by this bill. Any costs these governments might incur to comply with conditions of this assistance would be voluntary.

H.R. 2646 would impose private-sector mandates as defined by UMRA. The bill would impose new assessments on importers of dairy products and U.S. producers of caneberries. The bill also would allow the Secretary of Agriculture to expand the reporting requirement now placed on manufacturers and persons who store dairy products. Based on information provided by industry sources and USDA, CBO estimates that the direct costs of those private-sector mandates would fall below the annual threshold for private-sector mandates established in UMRA ($113 million in 2001, adjusted annually for inflation).

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## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in Table 1. The costs of this legislation fall within budget functions 300 (natural resources and environment), 350 (agriculture), 450 (community and regional development), and 600 (income security).

**Table 1. Estimated Budgetary Impact of H.R. 2646**

| | By Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| **DIRECT SPENDING** | | | | | | |
| Spending Under Current Law [a] | | | | | | |
| Estimated Budget Authority | 44,278 | 33,520 | 34,014 | 34,273 | 34,333 | 34,027 |
| Estimated Outlays | 43,972 | 33,219 | 33,991 | 34,347 | 34,161 | 34,014 |
| Proposed Changes | | | | | | |
| Estimated Budget Authority | 0 | 3,280 | 7,285 | 8,827 | 8,682 | 8,657 |
| Estimated Outlays | 0 | 1,906 | 6,504 | 8,345 | 8,277 | 8,371 |
| Spending Under H.R. 2646 | | | | | | |
| Estimated Budget Authority | 44,278 | 36,800 | 41,299 | 43,100 | 43,015 | 42,684 |
| Estimated Outlays | 43,972 | 35,125 | 40,495 | 42,692 | 42,438 | 42,385 |
| **SPENDING SUBJECT TO APPROPRIATION** | | | | | | |
| Spending Under Current Law | | | | | | |
| Estimated Authorization Level [b] | 3,507 | 4,545 | 464 | 473 | 481 | 443 |
| Estimated Outlays | 3,569 | 4,418 | 2,395 | 1,218 | 554 | 497 |
| Proposed Changes | | | | | | |
| Specified Authorization Level | 0 | 150 | 2,838 | 2,838 | 2,838 | 2,838 |
| Estimated Outlays | 0 | 68 | 1,428 | 2,215 | 2,783 | 2,839 |
| Estimated Authorization Level | 0 | 46 | 1,585 | 1,613 | 1,642 | 1,672 |
| Estimated Outlays | 0 | 23 | 863 | 1,351 | 1,508 | 1,566 |
| Spending Under H.R. 2646 | | | | | | |
| Estimated Authorization Level | 3,507 | 4,741 | 4,887 | 4,924 | 4,961 | 5,003 |
| Estimated Outlays | 3,569 | 4,509 | 4,686 | 4,784 | 4,845 | 4,902 |

a. The amounts shown as direct spending for 2001 are CBO's estimates of farm income support and related spending under current law including $5.5 billion in assistance payments enacted in Public Law 107-25. The 2002-2006 amounts are CBO's current-law baseline levels, which assume that assistance under the Federal Agricultural Improvement and Reform Act of 1996 (Public Law 104-127) is continued under the terms of that law when it expires at the end of 2002.

b. The 2001 level is the amount appropriated that year for affected agricultural trade promotion, nutrition, credit assistance, and rural development, and research programs. Amounts for 2002 and beyond are authorized to be appropriated for these programs in current law.

## BASIS OF ESTIMATE

The bill would make several changes to direct spending programs and would authorize the appropriation of funds for other programs. For this estimate, CBO assumes that H.R. 2646 will be enacted by December 2001, and thus would affect farm programs for 2002 crops, and that the necessary amounts would be appropriated for each fiscal year.

### Direct Spending

The bill would amend existing programs and establish new programs to be administered by USDA. Under current law, spending for the existing programs is governed, in large part, by provisions of the Federal Agricultural Improvement and Reform Act of 1996 (FAIR Act, Public Law 104-127). The Congress has supplemented that spending with additional farm income support payments over the last four years. For example, Public Law 107-25, enacted in early August, will provide $5.5 billion of additional payments to farmers in fiscal year 2001, resulting in total direct spending for agriculture programs of about $44 billion this year. CBO estimates that spending under H.R. 2646 would be much higher than projected under a simple (baseline) extension of the FAIR Act, but that such spending would fall slightly below the total spending in 2001—averaging about $41 billion over the 2002-2006 period.

Relative to CBO's current-law baseline projections for direct spending, we estimate that enacting this legislation would cost $33.4 billion over the 2002-2006 period and $69.5 billion over the 2002-2011 period (see Table 2). The bill would provide $73.1 billion in new direct spending authority, relative to the baseline levels, but CBO estimates that $3.6 billion of that total would be spent after 2011. The following paragraphs detail those proposed changes.

**Title I: Commodity Programs.** This title would reauthorize and amend the current commodity support programs administered by USDA, and also would implement new programs. CBO estimates that enactment of title I would increase direct spending by $25.8 billion over the 2002-2006 period, and by $49.8 billion over the 2002-2011 period.

*Fixed, Decoupled Payments for Covered Commodities.* Section 104 of the bill would continue and increase USDA's fixed payments to growers of grains and cotton, and would allow producers of soybeans and other oilseeds to receive them. Under the bill, farmers would have a one-time opportunity to update their program acreage—the historical average used to determine their eligibility for program benefits. CBO estimates that the cost of increasing payment rates, adding soybeans and oilseeds, and allowing the program acreage update would be $6.9 billion over the 2002-2006 period and $13.9 billion over the 2002-2011 period.

**Table 2. Estimated Changes in Direct Spending for H.R. 2646, by Title (Outlays in millions of dollars, by fiscal year)**

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| Title I–Commodity Programs | | | | | | | | | | |
| Fixed, Decoupled Payments | 1,387 | 1,387 | 1,387 | 1,387 | 1,387 | 1,387 | 1,387 | 1,387 | 1,387 | 1,387 |
| Counter-Cyclical Payments | 0 | 4,232 | 5,394 | 5,048 | 4,874 | 4,601 | 4,122 | 3,496 | 2,957 | 2,575 |
| Market Assistance Loans | -147 | -1,032 | -832 | -774 | -701 | -559 | -516 | -480 | -485 | -385 |
| Payments for Grazing | 5 | 4 | 3 | 3 | 2 | 2 | 2 | 1 | 1 | 1 |
| Marketing Assistance Loans for Wool, Mohair, and Honey | 25 | 33 | 33 | 32 | 32 | 31 | 31 | 30 | 29 | 28 |
| Milk Price Support Program | 24 | 90 | 89 | 86 | 85 | 85 | 84 | 83 | 73 | 74 |
| Sugar Program | 50 | 40 | -42 | -38 | -25 | -18 | -1 | 0 | -9 | 25 |
| Peanut Program | 299 | 504 | 499 | 493 | 486 | 251 | 246 | 242 | 236 | 231 |
| Subtotal–Title I | 1,643 | 5,258 | 6,531 | 6,237 | 6,140 | 5,780 | 5,355 | 4,759 | 4,189 | 3,936 |
| Title II–Conservation | | | | | | | | | | |
| Conservation Reserve Program | 21 | 78 | 123 | 190 | 232 | 237 | 205 | 164 | 169 | 173 |
| Wetlands Reserve Program | 93 | 158 | 178 | 184 | 189 | 195 | 201 | 207 | 213 | 222 |
| Limitation and Timing of Environmental Quality Payments | 0 | 121 | 104 | 30 | 30 | 41 | 24 | 16 | -100 | -101 |
| Groundwater Conservation | 13 | 31 | 46 | 50 | 54 | 59 | 63 | 65 | 68 | 68 |
| Environmental Quality Incentives | 40 | 341 | 621 | 700 | 777 | 885 | 955 | 1,003 | 1,062 | 1,069 |
| Wildlife Habitat Incentives Program | 6 | 13 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Farmland Protection Program | 0 | 11 | 35 | 45 | 50 | 50 | 50 | 50 | 50 | 50 |
| Grassland Reserve Program | 0 | 2 | 10 | 23 | 40 | 55 | 61 | 54 | 43 | 37 |
| Subtotal–Title II | 173 | 755 | 1,142 | 1,247 | 1,397 | 1,547 | 1,584 | 1,584 | 1,530 | 1,543 |
| Title III–Trade | 21 | 111 | 136 | 137 | 137 | 137 | 137 | 137 | 137 | 137 |
| Title IV–Nutrition | 40 | 302 | 344 | 406 | 411 | 422 | 427 | 422 | 427 | 438 |
| Title V–Credit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Title VI–Rural Development Outlays | 8 | 46 | 98 | 127 | 132 | 133 | 125 | 113 | 95 | 95 |
| Title VII–Research and Related Items | 0 | 0 | 58 | 87 | 116 | 131 | 145 | 145 | 145 | 145 |
| Title VIII–Forestry Initiatives | 6 | 12 | 16 | 16 | 17 | 18 | 20 | 22 | 26 | 31 |
| Title IX–Miscellaneous Provisions | 16 | 20 | 20 | 20 | 21 | 21 | 21 | 21 | 21 | 21 |
| Total Changes | 1,906 | 6,504 | 8,345 | 8,277 | 8,371 | 8,189 | 7,814 | 7,203 | 6,570 | 6,346 |

*Counter-Cyclical Payments for Covered Commodities.* The bill would authorize USDA to make automatic payments to producers to offset low prices—known as counter-cyclical payments. These payments would be based in part on a farm's production history. The payment rate would be the target price established in the bill less the fixed, decoupled payment rate (also specified in the bill) and less the crop price or the price-support loan rate if it is higher than the crop price. CBO estimates this provision would cost $19.5 billion over the 2002-2006 period and $37.3 billion over the 2002-2011 period.

*Marketing Assistance Loans for Covered Commodities.* H.R. 2646 would authorize USDA to continue crop loans and marketing loan programs for major row crops (grains, oilseeds, and cotton). Loan programs would remain unchanged from current law for most of these crops, but maximum loan rates for soybeans and other oilseeds would decline by about 6.5 percent. From 2002 through 2006, CBO estimates these provisions would reduce spending by $3.5 billion, compared to current law. Savings would total $5.9 billion over the 2002-2011 period. Income and incentives to grow oilseeds would decline under reduced loan rates resulting in lower spending for oilseed loans, loan deficiency payments and marketing loan gains of $5.6 billion over 2002 through 2006, and $8.9 billion over 2002 through 2011. These lower costs would be partially offset by increased costs of about $2.2 billion over five years and $3 billion over 10 years for similar programs for corn and other crops, as growers switched their planting preferences away from soybeans and other oilseeds.

*Loan Deficiency Payments for Grazing.* The bill would permit producers to receive loan deficiency payments on grains which were grazed by livestock instead of harvested for grain. CBO estimates this provision would cost $17 million over five years and $24 million over 10 years.

*Marketing Assistance Loans for Wool, Mohair, and Honey.* H.R. 2646 would establish a nonrecourse marketing assistance loan program for producers of wool, mohair, and honey. Marketing loan gains and loan deficiency payment provisions would apply to these commodities and would be subject to a separate $75,000 payment limitation. CBO estimates that these new provisions would cost $94 million for wool and mohair, and $61 million for honey, over the 2002-2006 period. Over 10 years, those totals would rise to $202 million for wool and mohair, and $101 million for honey.

*Milk Price Support Program.* H.R. 2646 would extend the current milk price support program through 2011 at the current purchase price of $9.90 per hundredweight. Under the bill, the recourse loan program for dairy processors would be repealed. CBO estimates this provision would save $65 million over the next 10 years. CBO estimates that continuing the dairy price support through 2011 would cost $838 million over the 2002-2011 period. Under the bill, we estimate that the net cost of the milk price support program over the next 10 years would be $773 million. (The net cost would be $374 million through 2006.)

*Sugar Program.* The bill would continue and amend USDA's sugar program by removing the marketing assessment currently paid by growers, lowering the interest rate charged on price-support loans, and adding a storage facility loan. We estimate these amendments would increase program costs by about $500 million over the next 10 years. Moreover, the bill would provide new authority to pay farmers with government-owned stocks of sugar (payment-in-kind) for idling acreage, and the authority to use marketing allotments to control supply if sugar imports decline in the future. We estimate these new authorities would reduce the cost of the sugar program relative to current law, and that net spending for the sugar program would decline by $18 million over the 2002-2011 period.

*Peanuts.* H.R. 2646 would make substantial changes to USDA's peanut program. Under the bill, CBO estimates that the peanut program would cost $2.3 billion over the 2002-2006 period and $3.5 billion over the 2002-2011 period. Peanut marketing quotas, and support rates for peanuts produced within the marketing quotas would be eliminated. Instead, peanut producers would become eligible for fixed, decoupled payments, counter-cyclical payments, and marketing assistance loan benefits. Under the legislation, a single, nonrecourse marketing assistance loan rate would apply to all peanut production that is lower than the current rate. The bill would compensate some peanut growers for the loss of asset value due to elimination of marketing quotas. Over the next 10 years, CBO estimates that the new peanut provisions would cost $625 million for fixed, decoupled payments, $1,242 million for counter-cyclical payments, $436 million for marketing assistance loans, and $1,180 million for compensation to peanut quota holders.

**Title II: Conservation Programs.** This title would reauthorize and expand land conservation programs administered by USDA. CBO estimates these provisions would cost $4.8 billion over the 2002-2006 period, and $12.5 billion over the 2002-2011 period. (Spending would continue for a number of years after 2011, for a total estimated cost of $15.7 billion.)

*Changes to Existing Programs.* The bill would increase the maximum acreage enrollment in the Conservation Reserve Program to 39.2 million acres from the current cap of 36.4 million acres. We estimate that this increase would cost $644 million through 2006, and $1.6 billion over the 2002-2011 period.

Acreage enrollment in the Wetlands Reserve Program (WRP) would expand by 150,000 acres per fiscal year under the bill, for a total acreage enrollment of 2.575 million acres by 2011. We estimate that the WRP provisions would cost $802 million through 2006, and $1.8 billion over the 2002-2011 period.

Funding for the Environmental Quality Incentives Program (EQIP) would be increased by $1 billion a year, for a cost of $2.5 billion through 2006, $7.5 billion over the 2002-2011 period, and additional costs after 2011. The bill would add $517 million to EQIP to address groundwater conservation, and accelerate the timing of EQIP payments that would increase outlays by $165 million over the 10-year period.

The bill also would increase funding for the Wildlife Habitat Incentives Program by $25 million a year, and for the Farmland Protection Program by $50 million a year. CBO estimates that the total cost for these amendments would be $610 million over the 2002-2011 period.

*Technical Assistance.* The bill would provide $850 million for salaries and expenses to design and implement conservation programs over the 2002-2011 period. That amount is included in the changes cited above for the individual conservation programs.

*New Conservation Program.* H.R. 2646 would establish the Grasslands Reserve Program. This program would authorize the Secretary of Agriculture to enroll up to 2 million acres in 10-year to 20-year contracts, equally divided between virgin (never cultivated) grasslands and restored grasslands. To be eligible for this program, land would need to be dominated by natural grass or shrubland and have the potential to serve as habitat for animal or plant populations of ecological value. CBO estimates that the program would cost $325 million over the 2002-2011 period.

**Title III: Trade Programs**. Title III would extend USDA's authority to administer programs to promote trade through 2011, and would increase funding for the Market Access Program, the Foreign Market Development Cooperator Program, and the Food for Progress Program. CBO estimates that enacting title III would cost about $540 million over the next five years, and about $1.2 billion through 2011.

*Increases to Existing Programs.* The bill would increase annual funding for the Market Access Program from $90 million to $200 million, increase annual funding for the Foreign Market Development Cooperator Program from $28 million to $35 million, and increase the caps on annual funding for administrative and transportation expenditures under the Food for Progress program. The cap on administrative expenditures would be increased from $10 million to $12 million, while the cap on transportation and other non-commodity expenditures would be increased from $30 million to $35 million. Those provisions account for most of the estimated 10-year cost of $1.2 billion for title III.

*New Trade Program.* Title III also would authorize $3 million in annual funding from the Commodity Credit Corporation to establish an export assistance program for specialty crop producers. We estimate this provision would cost $29 million over the next 10 years.

**Title IV: Nutrition Programs**. This title would reauthorize and modify the Food Stamp Program and related programs through fiscal year 2011. Under the bill, most changes in this title would become effective in 2003. It also would increase funding for commodity purchases for the Emergency Food Assistance program. CBO estimates these changes would increase direct spending by $40 million in 2002, by $1.5 billion through 2006, and by $3.6 billion over the 2002-2011 period.

*Reauthorization of the Food Stamp Program.* Section 406 would reauthorize the Food Stamp program through fiscal year 2011. Because it is assumed to continue in CBO's baseline, there are no changes in spending associated with its reauthorization.

*Income Definition.* Section 401 would allow a state to exclude from gross income in the Food Stamp program any educational loans or other educational assistance that the state is required to exclude in Medicaid. It also would allow a state to exclude types of income that it excludes in Medicaid or Temporary Assistance for Needy Families (TANF). CBO estimates that this provision would increase spending by $57 million over the next 10 years. CBO used Food Stamp Quality Control (QC) data to estimate the change in benefits if educational assistance that is counted under current law is excluded from income in determining benefits. About 5,000 households are estimated to be affected with an average reduction of $68 a month. We also added the costs of excluding a small portion of unearned income. States have flexibility to determine what is excluded from the definition of income in Medicaid and TANF, so these rules vary by state, but most differences are minor. CBO assumes that 90 percent of states would exercise the option to exclude income as allowed under this section.

*Standard Deduction.* Section 402 would set the amount of the standard deduction as a percentage of the net income threshold for fiscal year 2002. Under current law, all households receive the same standard deduction from gross income: $134 in the 48 states and the District of Columbia. (Alaska, Hawaii, Guam, and the U.S. Virgin Islands have different standard deductions.) This bill would set the standard at 9.7 percent of the net income threshold by household size. Smaller households would be guaranteed the current-law standard deduction, and no household could receive a standard that is higher than 9.7 percent of the net income threshold for a household of six people in 2002.

Under this section, some households would receive higher Food Stamp benefits than under current law, because less of these households' income would be considered available for purchasing food. Most households of four people or more would receive higher benefits. Using QC data, CBO estimates that over 1.5 million households would receive an average increase in benefits of more than $8 per month for total costs of $150 million in 2003 and $1.4 billion over the 2003-2011 period.

*Transitional Food Stamps.* Section 403 would allow states to provide up to six months of Food Stamp benefits to households leaving the TANF Program. These benefits would be frozen at the level received in the month prior to leaving welfare, although a household could reapply for benefits. Under final regulations released in November 2000, states have the option to provide transitional benefits to these households for up to three months. This section would allow states to provide transitional benefits for an additional three months, even if the transitional benefit period extends beyond the household's Food Stamp certification period.

Based on the number of active cases and TANF cases closed in 1999, CBO estimates there will be about 1.6 million closed cases annually. We made adjustments to this number for households that would continue to be Food Stamp recipients under current law, for households that would return to TANF during the transition period, and for households that would not be eligible because of sanctions or noncooperation with welfare rules. These adjustments are based on various studies of people who leave welfare. CBO estimates about 35,000 TANF households in an average month could potentially be eligible for transitional benefits, and that states accounting for about half of these cases would choose this option by 2005. These households would receive an additional three months of benefits relative to current law with average benefits of about \$250 per month in 2003, for costs of \$80 million in 2003, and \$1.5 billion over the 10-year period.

*Quality Control System.* Under current law, USDA measures the accuracy of benefit determinations and computes payment error rates for every state. States that have payment error rates higher than the national performance measure are subject to sanctions. Most states subject to sanctions enter into agreements with USDA to reinvest these liabilities into program improvements. Section 404 would revise the QC system to sanction states that have error rates with a 95 percent statistical probability of being 1 percentage point greater than the national average for three years in a row. Based on information from USDA, CBO assumes that USDA would continue to work with states to reinvest liabilities into program improvements so there would be no change in collections from sanctions.

This section also would create bonus payments for two new performance measures: timeliness in processing applications and accuracy of denying or terminating eligibility. The five states with the best performance in a year and the five states with the most improved performance in a year would receive \$1 million each for fiscal years 2002 through 2007. CBO expects that states would receive these payments in the year after the year for which the bonus is made. Spending would increase by \$10 million each year for fiscal years 2003 through 2008.

*Simplified Application Forms and Eligibility Determination Systems.* Section 405 would provide up to \$10 million each year to pay for 100 percent of the costs incurred by states to develop and implement simplified application forms and eligibility processes. CBO estimates this would increase direct spending by \$9 million in 2003 and \$10 million each subsequent year.

Two smaller programs within the Food Stamp Act would be reauthorized by H.R. 2646. Section 406 would reauthorize the modified Food Stamp program in American Samoa at $5.3 million each year through 2011. The bill also would reauthorize assistance for community food projects at $7.5 million each year for fiscal years 2002-2011, which is $5 million more than the fiscal year 2002 authorization. CBO estimates that implementing these two programs would cost $114 million over the 2002-2011 period.

Section 406 would authorize $140 million each year from 2002 through 2011 for commodity purchases for the Emergency Food Assistance program. Current law authorizes $100 million through 2002. The bill would require that $10 million of the funds be used for costs associated with distributing the commodities. This provision would increase direct spending by $38 million in 2002 and by $398 million over the 2002-2011 period.

**Title VI: Rural Development Programs.** This title would provide funding for several rural development initiatives, including $50 million a year for value-added agricultural product market development grants, $200 million over the 2002-2006 period for loans and grants to improve local television access in rural areas, and $30 million a year for community water assistance grants. It also would provide $15 million in grants to support a new pilot program for strategic regional development planning. CBO estimates that enacting title VI would cost $411 million over the 2002-2006 period and $972 million over the 2002-2011 period.

**Title VII: Research and Related Items.** This title would increase mandatory research spending for the Initiative for Future Agriculture and Food Systems by $261 million over the 2002-2006 period and $972 million over the 2002-2011 period. This initiative would award funding to research projects that address critical emerging issues related to future food production, environmental protection, farm income, or alternative uses of agricultural products.

**Title VIII: Forestry Initiatives.** This title would repeal two existing forestry programs and establish a new program to provide assistance to owners of private nonindustrial forest lands. The bill would authorize the Secretary of Agriculture to spend $150 million over the next 10 years to implement that program. Based on information from USDA, we estimate that the proposed program would cost $138 million over the 2002-2011 period, and additional amounts after 2011.

This title also would allow USDA and the Department of the Interior to use long-term stewardship contracts to implement projects to remove hazardous fuels (overly defense forest vegetation) from certain federal lands. Under such contracts, the agencies could retain and spend any receipts generated from such contracts to implement additional projects. Based on information from the Forest Service, we estimate that the net increase in direct spending from this provision would total $46 million over the 2002-2011 period. That estimate assumes that, in some cases, the agency would use stewardship contracts to implement projects that otherwise would have been completed using the agency's existing authorities.

**Title IX: Miscellaneous Programs**. Based on information from USDA, CBO estimates that this title would provide $56 million over the next 10 years for a Tree Assistance Program to compensate orchardists for losses of trees due to natural disasters. The title also would authorize $15 million a year in direct spending for farmers market nutrition programs, for total spending of about $146 million over the 2002-2011 period.

### Spending Subject to Appropriation

Implementing H.R. 2646 also would increase spending subject to appropriation. Assuming appropriation of the necessary amounts, CBO estimates that implementing the bill would cost about $14.6 billion over the 2002-2006 period, and $37.4 billion over the 2002-2011 period (see Table 3).

**Title II. Conservation**. The bill would authorize the appropriation of $15 million a year for the Small Watershed Rehabilitation Program. CBO estimates that this program would cost $65 million over five years and $140 million over 10 years.

**Title III: Trade**. This title would reauthorize appropriations for the Food for Peace program through 2011. Based on the amount provided for this program in 2001, CBO estimates that the Food for Peace program would cost about $3.3 billion over the 2002-2006 period and, $8.6 billion over the 2002-2011 period, subject to the appropriation of the necessary funds each year.

**Title IV: Nutrition**. This title would reauthorize two commodity assistance programs, and authorize the establishment of a trust fund for a Congressional fellowship program. Assuming appropriation of the necessary amounts, CBO estimates these provisions would cost $1.4 billion over the 10-year period.

*Commodity Assistance Programs*. Section 442 would extend the authorization for the Commodity Supplemental Food program (CSFP) for fiscal years 2003 through 2011. The program would be authorized at the level needed to maintain traditional assistance levels. The CSFP provides supplemental commodities for women, infants, and children, and for elderly individuals. Section 443 would authorize $50 million each year for fiscal years 2003 through 2011 for costs related to distributing commodities in the Emergency Food Assistance program. Based on historical spending in these programs, CBO estimates increased spending of $130 million in 2003, and $1.4 billion over the 2003-2011 period.

**Table 3. Estimated Changes in Discretionary Authorizations in H.R. 2646, by Title [a]**

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Title II–Conservation | | | | | | | | | | |
| Estimated Authorization Level | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Estimated Outlays | 9 | 12 | 14 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Title III–Trade | | | | | | | | | | |
| Estimated Authorization Level | 0 | 1,016 | 1,035 | 1,056 | 1,076 | 1,096 | 1,116 | 1,138 | 1,160 | 1,182 |
| Estimated Outlays | 0 | 535 | 866 | 948 | 979 | 1,011 | 1,034 | 1,053 | 1,074 | 1,095 |
| Title IV–Nutrition Programs | | | | | | | | | | |
| Estimated Authorization Level | 0 | 150 | 152 | 154 | 156 | 158 | 160 | 162 | 164 | 167 |
| Estimated Outlays | 0 | 150 | 152 | 154 | 156 | 158 | 160 | 162 | 164 | 167 |
| Title V–Credit | | | | | | | | | | |
| Estimated Authorization Level | 21 | 60 | 60 | 60 | 61 | 60 | 60 | 60 | 58 | 54 |
| Estimated Outlays | 17 | 49 | 60 | 60 | 60 | 59 | 59 | 59 | 58 | 54 |
| Title VI–Rural Development | | | | | | | | | | |
| Estimated Authorization Level | 30 | 158 | 158 | 158 | 158 | 158 | 158 | 158 | 158 | 158 |
| Estimated Outlays | 1 | 14 | 59 | 112 | 135 | 149 | 158 | 158 | 158 | 158 |
| Title VII–Research and Related Items | | | | | | | | | | |
| Estimated Authorization Level | 15 | 2,858 | 2,865 | 2,872 | 2,928 | 2,935 | 2,942 | 2,949 | 2,957 | 2,964 |
| Estimated Outlays | 9 | 1,445 | 2,276 | 2,842 | 2,894 | 2,919 | 2,936 | 2,943 | 2,950 | 2,958 |
| Title VIII–Forestry Initiatives | | | | | | | | | | |
| Estimated Authorization Level | 50 | 100 | 100 | 100 | 101 | 101 | 101 | 101 | 101 | 101 |
| Estimated Outlays | 7 | 40 | 74 | 95 | 101 | 101 | 101 | 101 | 101 | 101 |
| Title IX–Miscellaneous Provisions | | | | | | | | | | |
| Estimated Authorization Level | 65 | 65 | 65 | 65 | 65 | 65 | 65 | 65 | 65 | 65 |
| Estimated Outlays | 47 | 65 | 65 | 65 | 65 | 65 | 65 | 65 | 65 | 65 |
| Total Changes | | | | | | | | | | |
| Estimated Authorization Level | 196 | 4,423 | 4,451 | 4,480 | 4,560 | 4,588 | 4,617 | 4,649 | 4,678 | 4,707 |
| Estimated Outlays | 90 | 2,291 | 3,566 | 4,292 | 4,406 | 4,478 | 4,528 | 4,556 | 4,586 | 4,613 |

a. Title I would not affect discretionary spending.

*Congressional Hunger Fellowship Trust Fund.* Subtitle C would authorize $18 million to establish a trust fund for a Congressional hunger fellowship program. Public Law 106-387 appropriated $2 million in 2001 for Congressional hunger center fellowships. Only returns on investments of the trust fund would be used to fund the fellowships and the operation of the program. Assuming appropriation of the authorized amount, CBO estimates a net increase in spending of $1 million each year beginning in fiscal year 2003. The gross appropriation of $18 million would be offset by an intragovernmental transfer of the same amount to establish the trust fund. Therefore, the only cost would be from spending the returns on the investments of the fund.

**Title V: Credit Programs**. This title would make several amendments to the programs administered by the Farm Service Agency that extend credit to producers. Assuming appropriation of the necessary amounts, CBO estimates that implementing these provisions would cost about $246 million over the 2002-2006 period, and $535 million over the 2002-2011 period.

*Changes to Credit Provisions.* This title includes provisions that would limit eligibility for direct ownership and operating loans after 2006 to socially disadvantaged and beginning farmers, ease restrictions on lending to borrowers with debt forgiveness, and extend until 2011 an existing interest buy-down program on guaranteed operating loans. Assuming appropriation of the necessary amounts, CBO estimates that implementing these provisions would cost about $495 million over the 2002-2011 period. The reauthorization of the interest buy-down program accounts for most of the estimated cost.

*Changes to Emergency Loan Programs.* The bill also would expand eligibility for the emergency loan program to allow loans to producers with losses caused by increased energy costs, or quarantines, and it would allow loans to horse breeders with losses resulting from mare reproductive loss syndrome. Assuming appropriation of the necessary amounts and based on information from USDA, CBO estimates these emergency loan provisions would cost about $40 million over the 2002-2011 period.

**Title VI: Rural Development**. This title would authorize the appropriation of funds for various rural development programs; including Rural Business Opportunity Grants, Rural Cooperative Development Grants, and water system grants for rural areas of Alaska and for individuals with low or moderate income. Assuming appropriation of the specified amounts, CBO estimates these provisions would cost $320 million over the 2002-2006 period, and $1.1 billion over the 2002-2011 period.

**Title VII: Research and Related Matters**. This title would reauthorize discretionary research programs administered by USDA through 2011. The authority for most of these research programs expires in 2002. Assuming appropriation of the necessary amounts and based on 2001 appropriations for some programs, we estimate that implementing the bill would cost $9.5 billion over the 2002-2006 period, and $24.2 billion over the next 10 years.

**Title VIII: Forestry Initiatives**. This title would reauthorize certain existing programs related to renewable resources and international forestry and authorize appropriations for a new program to protect local communities from forest fires. Based on information from USDA, we estimate that these programs would cost $317 million over the 2002-2006 period and $822 million over the 2002-2011 period, assuming appropriation of the necessary amounts.

**Title IX: Miscellaneous Provisions**. This title would authorize the appropriation of $50 million per year to establish a grant program to offset the costs of purchasing hazardous brush and other fuels from forest lands for use by biomass-to-energy facilities. The bill also would authorize an increase of $15 million a year in funds for the outreach for socially disadvantaged farmers. Assuming appropriation of the authorized amounts, the provisions of this title would cost $308 million over the 2002-2006 period and $636 million over the 2002-2011 period.

## PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in Table 4. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

**Table 4. Estimated Effects of H.R. 2646 on Direct Spending and Receipts**

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Changes in outlays | 0 | 1,906 | 6,504 | 8,345 | 8,277 | 8,371 | 8,189 | 7,814 | 7,203 | 6,570 | 6,346 |
| Changes in receipts | Not applicable | | | | | | | | | | |

## ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

This bill contains no intergovernmental mandates as defined in UMRA. State, local, and tribal governments receive funds through some of the programs reauthorized by this bill and probably would receive additional funds from newly authorized programs. Some of these programs—both new and existing—include matching requirements and other conditions of assistance. Any costs these governments might incur to comply with conditions of this assistance would be voluntary.

## ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 2646 would impose private-sector mandates as defined in UMRA. The bill would impose new assessments on importers of dairy products and U.S. producers of caneberries. The bill also would allow the Secretary of Agriculture to expand the reporting requirement now placed on manufacturers and persons who store dairy products. Based on information provided by industry sources and USDA, CBO estimates that the direct costs of those private-sector mandates would fall below the annual threshold for private-sector mandates established in UMRA ($113 million in 2001, adjusted annually for inflation).

The bill would impose a mandate on importers of dairy products by expanding a dairy promotion assessment to cover imports of dairy products. Under current law, USDA collects an assessment from domestic dairy producers to fund activities of the National Dairy Promotion and Research Board. The bill would require the assessment rate on imported dairy products to be determined in the same manner as the assessment rate per hundredweight or the equivalent of domestic milk. Importers would be required to pay the assessment to the U.S. Customs Service at the time the products enter the country. The funds collected from importers of dairy products would be combined with collections from domestic producers. Using an assessment rate equivalent to the current rate paid by domestic producers of dairy products, CBO estimates the cost of the assessment on importers would total about $11 million annually.

H.R. 2646 also would impose a private-sector mandate on U.S. producers of caneberries who would be required to comply with a marketing order to be issued by USDA. Caneberries are berries that grow on a cane, such as raspberries, blackberries, marionberries, and boysenberries. Federal marketing orders are typically funded by an assessment on the production of a particular good. Based on recent data on the national production of caneberries, and the assessment rates of existing state marketing orders, CBO estimates the cost of an assessment on U.S. producers of caneberries would be about $0.5 million annually.

In addition, the bill would amend the Agriculture Marketing Act to allow the Secretary of Agriculture to expand the reporting requirement now placed on manufacturers and persons who store dairy products. That is, the bill would give the Secretary the authority to expand the list of products for which producers must report on inventories and make records available to the government. The provisions would impose a new mandate if the Secretary used the authority to make additional products subject to current requirements. USDA could not indicate which products, if any, would be added to the list. Nonetheless, since producers already keep extensive records on inventories at storage facilities, the incremental cost of complying with such requirements would be small.

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